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Nigeria

Oilseeds and Products

Annual

2004

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Report Highlights:

Nigeria's annual vegetable oil requirements exceed domestic output by an estimated 300,000 tons. Despite the shortfall, bulk imports of all vegetable oil are prohibited by the GON. This is encouraging large scale undocumented cross-border imports. Market opportunities exist for about 50,000 tons of inedible tallow and 10,000 tons of branded, consumer-ready vegetable oil annually.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Lagos [NI1]
[NI]

Executive Summary

Nigeria's overall output of vegetable oil continues to lag behind national consumption requirements by more than 300,000 tons. Nigeria's overall vegetable oil requirement is estimated at 1.6 million tons, while total domestic vegetable oil out is estimated at 1.3 million tons. The shortfall notwithstanding, the GON banned bulk vegetable oil imports since 2001, ostensibly to protect local producers. Industry sources indicate that, the ban is not effective as an estimated 280,000 tons of the product entered the country unofficially in 2003. Opportunities exist for U.S. exporters of tallow, and branded vegetable oil in consumer-ready packs.

Although Nigeria has long since left the export trade in palm produce and is now a net importer, the oil palm industry remains an important contributor to the nation's economy. The sector is a major source of income for farmers in the palm belt, accounts for close to 80 percent of total vegetable oil consumption in Nigeria, and supplies a growing demand by the local industry for raw material for the manufacture of edible oil, soap, and detergents. Other important oilseeds produced in Nigeria include peanuts, cottonseed and soybeans.

January 23, 2004. Exchange Rate: US\$1=137 Naira

Production

PSD Table: Oil, Palm

PSD Table							
Country	Nigeria						
Commodity	Oil, Palm				(1000 HA)(1000 TREES)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Area Planted	2710	2710	0	2710	0	2715	(1000 HA)
Area Harvested	2630	2630	2630	2632	0	2650	(1000 HA)
Trees	280000	280000	280000	280100	0	280100	(1000 TREES)
Beginning Stocks	20	20	20	20	20	20	(1000 MT)
Production	770	770	780	780	0	790	(1000 MT)
MY Imports	280	280	271	280	0	290	(1000 MT)
MY Imp. From U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. From the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1070	1070	1071	1080	20	1100	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	200	200	204	200	0	210	(1000 MT)
Food Use Dom. Consump.	840	840	847	850	0	860	(1000 MT)
Feed Waste Consumption	10	10	0	10	0	10	(1000 MT)
TOTAL Dom. Consumption	1050	1050	1051	1060	0	1080	(1000 MT)
Ending Stocks	20	20	20	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	1070	1070	1071	1080	0	1100	(1000 MT)
Calendar Year Imports	280	280	271	280	0	300	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Prices Table

Country

Nigeria

Commodity

Oil, Palm

Prices in

Naira

per uom

Ton

Year	2002	2003	% Change
Jan	80,800	107,000	32%
Feb	79,400	109,000	37%
Mar	81,000	106,000	31%
Apr	82,000	106,000	29%
May	72,300	106,000	47%
Jun	70,000	106,000	51%
Jul	77,000	110,000	43%
Aug	85,500	120,000	40%
Sep	86,700	120,000	38%
Oct	87,000	120,000	38%
Nov	90,000	120,000	33%
Dec	95,700	120,000	25%

Exchange Rate

137/1

Local Currency/US \$

Date of Quote

01/23/2004

MM/DD/YYYY

Nigeria's palm oil production in MY2004 is forecast at 790,000 tons, up from 780,000 tons this year. Despite a constraint on funds available to producers, existing farms are undergoing rehabilitation and expansion due largely to increased profitability offered by oil palm production due to government protection for the industry. AgOffice field visits revealed that two new large-scale oil palm operations commenced planting in 2003. Another large-scale operation successfully offered its shares to the public to raise funds for its expansion program. Post notes an increased exploitation of wild palms by rural farmers in the palm belt spurred by attractive producer prices (see price tables). Additionally, new small-scale farms are being established and existing farms are being rehabilitated. This is projected to produce a modest increase in output during the upcoming year, while the full impact of the expansion programs will be felt in four years when the new plantings begin to fruit.

Average Annual Price (Naira/ton)

Commodity	2002	2003	Percentage Change
Palm oil	80,000	110,000	38
Palm kernel	35,500	51,500	45
Palm kernel oil	90,000	133,500	48

As part of the overall objective of revitalizing Nigerian agriculture, the GON announced a new Presidential initiative on oil palm in mid 2003. The initiative seeks to develop one million hectares of oil palm plantation within the next five years. Under this program, an existing 125,000 hectares of palm plantation will be rehabilitated. In addition, existing large palm estates

are also being encouraged to assist in developing smallholders as out-growers in the communities where they are located.

Nigeria's oil palm production can be categorized into upstream and downstream sectors.

A. The upstream sector comprises primary production activities, ranging from the development of seedlings to producing red palm oil and palm kernel. This includes palm oil and kernel produced from 2.25 million hectares of wild palm groves, 400,000 hectares of small-scale holdings and 50,000 hectares from large estates.

Production of oil palm from unorganized wild groves is under exploited because of labor-related harvesting problems and low efficiency milling techniques used by local farmers. Yield levels on organized estates tend to be low by international standards due largely to poor rainfall distribution patterns resulting from distinct wet and dry seasons in the palm belt. However, some of the leading estates achieved yield levels of up to 18 tons of fresh fruit bunches (ffb) in 2003, up from a five-year average of 14 tons of ffb per hectare. Inadequate fertilizer application, attributed to high costs and periodic shortages, adversely affects industry yield levels.

Smallholder palm production is on the increase, thanks to support from the government's National Accelerated Industrial Cash Crop Program and the recently announced Presidential Initiative on oil palm development. These programs are designed to encourage increased smallholder planting of improved varieties in order to achieve enhanced rural incomes. Incentives under the program include: reduced customs duties on imported agricultural machinery, distribution of palm seedlings at subsidized rates, and the provision of extension services to small-scale farmers. Overall, Nigeria's upstream oil palm production is expanding at a relatively slow pace and output continues to increasingly lag behind national consumption requirements. Investment in the sector is constrained by heavy capital investment requirements, Nigeria's land tenure system which limits access to large contiguous land hampers plantation agriculture. The relatively long gestation period of 4 years for palm is unattractive to local investors.

B. Downstream oil palm processing consists of the crushing of palm kernel, the refining of crude palm kernel oil into vegetable oil, and red palm oil into palm olein. Despite excess capacity in the downstream sector, investment is steadily increasing. This is due largely to a perception of low capital risk and a quick return on investment. Currently, the industry's annual installed palm kernel crushing capacity is estimated at more than 600,000 tons, far exceeding total domestic palm kernel production. Average industrial capacity utilization by Nigeria's palm kernel processors falls below 55 percent. Soybeans, which provide a ready substitute for palm kernel processors, have been in short supply during the last three seasons due to poor harvests. This has strengthened competition among processors for available supplies of palm kernel and pushed prices to record high levels. Industry sources indicate that an estimated 10,000 tons of palm kernel were imported in CY2003 from Ivory Coast by some crushers to increase their utilized capacity.

Production Subcategory

PSD Tables: Oilseed Palm kernel

PSD Table							
Country	Nigeria						
Commodity	Oilseed, Palm Kernel				(1000 HA)(1000 TREES)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Area Planted	2710	2710	0	2710	0	2710	(1000 HA)
Area Harvested	2630	2630	2630	2632	0	2640	(1000 HA)
Trees	281000	281000	281000	281100	0	281200	(1000 TREES)
Beginning Stocks	10	10	10	10	0	10	(1000 MT)
Production	350	350	360	360	370	370	(1000 MT)
MY Imports	10	10	0	10	0	10	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	370	370	370	380	370	390	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	345	345	360	360	370	370	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cn.	15	15	10	10	0	10	(1000 MT)
TOTAL Dom. Consumption	360	360	370	370	370	380	(1000 MT)
Ending Stocks	10	10	0	10	0	10	(1000 MT)
TOTAL DISTRIBUTION	370	370	370	380	370	390	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Prices Table: Palm Kernel

Prices Table

Country Nigeria

Commodity Oilseed, Palm Kernel

Prices in per uom

Year	2002	2003	% Change
Jan	34,000	42,000	24%
Feb	34,000	41,000	21%
Mar	35,500	42,500	20%
Apr	33,000	52,000	58%
May	30,000	51,000	70%
Jun	30,000	46,000	53%
Jul	34,000	48,000	41%
Aug	35,500	54,000	52%
Sep	35,000	60,000	71%
Oct	41,000	58,000	41%
Nov	42,500	60,000	41%
Dec	42,000	60,000	43%

Exchange Rate Local Currency/US \$
 Date of Quote MM/DD/YYYY

Consumption

Red palm oil is a major component of the diet of most Nigerians. Red palm oil and palm kernel oil also are refined into palm olein and refined vegetable oil, respectively for human consumption. Combined, these two account for more than 80 percent of national vegetable oil demand for both human and industrial uses. Industrial consumption of red palm oil and palm kernel oil in MY2003 is estimated at 200,000 tons and 47,000 tons, respectively. Industrial utilization includes; soap, detergent, bakers fat, margarine, etc. More than 85 percent of all palm kernel meal produced in Nigeria is exported to the EU because of low domestic demand by the animal feed industry.

Trade

Nigeria's total red palm oil and palm olein imports in marketing year MY2003/04 are forecast at 290,000 tons, up from 280,000 tons a year earlier. Although bulk vegetable oil is banned for imports, large quantities are imported unofficially. Many importers reportedly circumvent the GON's import ban on bulk oil by declaring to local customs that their red palm oil imports were to be utilized as industrial raw material. Such a categorization also offered a reduced duty payment to customs. An estimated 10,000 tons of branded, consumer-ready vegetable oil enter the country annually.

PSD Table: Palm Kernel Oil

PSD Table							
Country	Nigeria						
Commodity	Oil, Palm Kernel				(1000 MT)(PERCENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Crush	345	345	360	360	0	370	(1000 MT)
Extr. Rate, 999.9999	0.405797	0.405797	0.402778	0.402778	0	0.402778	(PERCENT)
Beginning Stocks	10	10	10	10	10	10	(1000 MT)
Production	140	140	145	145	0	145	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	150	150	155	155	10	155	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	46	46	47	47	0	48	(1000 MT)
Food Use Dom. Consump.	94	94	98	98	0	97	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	140	140	145	145	0	145	(1000 MT)
Ending Stocks	10	10	10	10	0	10	(1000 MT)
TOTAL DISTRIBUTION	150	150	155	155	0	155	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. To U.S.	0	0	0	0	0	0	(1000 MT)

Prices Table: Palm Kernel Oil

Prices Table

Country

Nigeria

Commodity

Oil, Palm Kernel

Prices in

Naira

per uom

Ton

Year	2002	2003	% Change
Jan	92,000	112,000	22%
Feb	90,000	110,000	22%
Mar	93,000	117,000	26%
Apr	87,000	135,000	55%
May	75,000	136,000	81%
Jun	79,000	128,000	62%
Jul	83,000	134,000	61%
Aug	91,000	146,000	60%
Sep	95,000	155,000	63%
Oct	105,000	151,000	44%
Nov	110,000	151,000	37%
Dec	106,000	162,000	53%

Exchange Rate

137/1

Local Currency/US \$

Date of Quote

1/22/2004

MM/DD/YYYY

Stocks

Nigeria is a net importer of virtually all oilseed products, therefore stock levels are very low in Nigeria.

Policy

Beginning in 2001, the GON implemented an import ban on bulk vegetable oil to support local producers. Branded and consumer-ready vegetable oil products are allowed for imports at a duty rate of 65 percent.

Marketing

Marketing opportunities exist for U.S. exporters of inedible tallow, which is a close and preferred substitute for palm oil in soap manufacture. Available U.S. export data show 30,800 tons of inedible tallow entered Nigeria during June 2000 - May 2001 compared to 23,850 tons for the same twelve-month period a year earlier. Nigeria's duty on tallow imports is 15 percent. Market opportunities also exist for exporters of branded, consumer-ready vegetable oil products. A prominent Nigerian importer has distribution rights for branded U.S. "Butcher Boy", soybean oil. The importer is aggressively promoting this product under USDA's Market Access Program. The importer regularly participates in FAS Lagos food shows around the country.

PSD Table: Palm Kernel Meal

Country	Nigeria						
Commodity	Meal, Palm Kernel				(1000 MT)(PERCENT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Crush	345	345	360	360	0	370	(1000 MT)
Extr. Rate, 999.9999	0.553623	0.553623	0.552778	0.552778	0	0.552778	(PERCENT)
Beginning Stocks	10	10	6	6	10	10	(1000 MT)
Production	191	191	199	199	0	205	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	201	201	205	205	10	215	(1000 MT)
MY Exports	175	175	180	180	0	185	(1000 MT)
MY Exp. to the EC	175	175	180	180	0	185	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	20	20	15	15	0	20	(1000 MT)
TOTAL Dom. Consumption	20	20	15	15	0	20	(1000 MT)
Ending Stocks	6	6	10	10	0	10	(1000 MT)
TOTAL DISTRIBUTION	201	201	205	205	0	215	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)